DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

ONE HUNDRED AND EIGHTH MEETING
MARRAKECH, MOROCCO – OCTOBER 12, 2023

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October 12, 2023

Statement by

Rt. Hon. Andrew Mitchell, MP
Minister of State for Development and Africa

and

Rt. Hon. Jeremy Hunt, MP
Chancellor of the Exchequer

United Kingdom of Great Britain
and Northern Ireland

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108th Meeting of the Development Committee

October 12, 2023
Marrakech, Morocco

As we come together in Marrakech, millions of people in Morocco and Libya continue to struggle with the aftermath of a devastating earthquake and catastrophic flood. We wish to extend the deepest condolences of the British people to all those affected. The UK's search and rescue teams have been deployed in Morocco and we have increased our humanitarian support in Libya.

These events demonstrate all too well the challenges that the world is facing. A world of increasing disasters and shocks. With the flooding in Pakistan, earthquake in Türkiye and Syria, drought in Argentina and Cyclone Freddy, all in recent memory. Many countries continue to deal with lasting effects of Covid.

We also must acknowledge the deadly attacks by Hamas against Israel. The UK will stand with Israel unequivocally against these acts of terror.

For a year and a half, Ukraine has suffered the terrible consequences of Russia's brutal and illegal invasion. We must never forget that human cost. The consequences of the war are widespread, and countries across the globe continue to grapple with its negative impacts on food and energy security, supply chains, inflation and growth – which we know hurt the poorest and vulnerable most. At the UK hosted Ukraine Recovery Conference in June, international partners came together, with the UK announcing a further $3bn of guarantees to support World Bank lending to Ukraine, and important partnerships between the IFC and British International Investment (BII) to support economic resilience.

We also meet just after the midway point in our collective pursuit of the Sustainable Development Goals. It is clear that we are off track, with progress on extreme poverty stalling. At UNGA, we heard anger and resignation from developing and emerging economies that the international financial system is still not doing enough – it must urgently become better, bigger and fairer. Ahead of the publication of the UK's White Paper on Development, these meetings are an important moment for the UK to listen to what our partners need the most.

We welcome Ajay Banga to his role as President of the World Bank. We would like to personally thank him and the entire Bank staff for their efforts to respond to very difficult operating environments around the world. The UK and other shareholders supported the ramping up of Bank efforts under the Global Crisis Response Framework, especially to help tackle the food insecurity we saw in the aftermath of Russia's invasion. The GCRF showed the Bank could respond quickly in the face of multiple crises, and we look forward to the Bank setting out further plans at the UK-hosted Food Security Summit next month.

We also recognize the important achievements made this year, particularly the record commitments of nearly $73bn across the World Bank in FY23. The Bank also delivered $39bn of climate finance – its highest ever – reaching 41% compared to the 35% target set for FY21-FY25. More broadly, we welcome the strong representation of climate and nature in the new Global Challenge Programmes, the implementation of Paris Alignment from July, and the roll out of 25 Country Climate and Development Reports. We look forward to seeing a stronger offer on adaptation from IFC and MIGA, as well as a Biodiversity Action Plan for the whole Bank. Alongside this, and as we head to COP28, we must make progress on the Loss and Damage Fund, and we think the Bank is the most obvious home for this.

We welcome the work since the Spring Meetings to deliver the evolution agenda. President Banga and Bank staff have achieved a great deal in a short space of time. In Marrakech we welcome a new vision and mission for the whole Bank, a clear set of global challenges on which to refocus our efforts, and a new playbook to drive forward more agile and effective delivery. We also welcome the Bank's new toolkit for crisis response and commitment to roll out Climate Resilient Debt Clauses (CRDCs), which the UK has championed. We also welcome the Bank's intention to include vulnerability in its eligibility criteria for IBRD, recognising the unique risks many Small States face from climate and economic shocks.

There has also been important progress against the G20 CAF Review's recommendations, with welcome innovations including on guarantees and hybrid capital, and commitment to further work on enhanced callable capital, as well as progress on establishing GEMS as an independent entity. We have been clear that concessional finance should be targeted primarily to the poorest, and that the Bank should look first to non-financial incentives for increased action on global priorities, including longer tenor loans and financing volumes. We look forward to seeing a clear and comprehensive framework for the use of this limited concessionality.

This is an extensive set of reform priorities. We look forward to a concerted effort to deliver them, while keeping momentum up on the wider set of reforms needed to deliver a better bank. We also need to finance this new vision.

Firstly, we need to make sure the Bank is resourced to deliver for Low-Income and Vulnerable countries. That means pursuing additional balance sheet measures for IDA in the short term – to maintain IDA lending volumes as close as possible to FY23 levels – and a proper review of IDA's long term financial sustainability. It also requires a strong replenishment of IDA21 next year, through donor contributions, further balance sheet innovation and exploring the case for enhanced transfers from IBRD. As we do this, we must keep our focus on impact. IDA21 will need to deliver a step change on extreme poverty, increasingly concentrated in fragile countries, through job creating economic transformation, increased energy access, climate change adaptation and health security. These were the priorities clearly expressed by African Governors both in Cabo Verde and in the Nairobi declaration of the recent Climate Action Summit.

Secondly, we need to significantly scale up IBRD's lending to deliver on the evolution agenda agreed by Governors here in Marrakech. The Bank already delivered \$56bn in additional lending through CAF measures at the 2023 Spring Meetings and now their package of further financial innovations is attracting support. The UK is one of the largest providers of guarantees for MDB lending – we have announced guarantees over the last two years that will unlock over \$6bn of additional development and climate finance. We welcome that other shareholders have recently announced plans to provide similar guarantees. These innovations are commendable and will go a long way but will not take us far enough. As part of discussions on the case for additional capital, the Bank should present options to further reduce the IBRD E/L ratio and make other improvements to its capital adequacy framework.

The World Bank must also mobilise significantly more private capital, including through bringing all of the Group together to drive this agenda, building stronger pipelines of projects, innovating to develop new instruments and vehicles to securitise MDB assets, and deploying the full range of tools including local currency finance and guarantees. President Banga's new Private Sector Investment Lab is a welcome step in this direction. We hope to see much more, including how the Bank can mobilise much more institutional capital, including from pension funds, and transfer more risk to the private sector, including through the warehousing facility (WESP). Next year's UK-African Investment Summit will be an important moment for this agenda.

Alongside this, we need to see increased ambition on crisis preparedness and shock response, by supporting countries to understand risks better, plan for crises, and invest in preparedness and pre-arranged finance, as well as rolling out CRDCs more widely. The Bank will also need to become much faster and more agile in how it supports its clients, and a stronger partner across the international system.

These reforms will make the Bank bigger, as well as better, but we recognize that alone they may not go far enough. As our Prime Minister recently set out, the UK could support an IBRD capital increase subject to it delivering an ambitious set of reforms, alongside ensuring that the Bank is taking all practical steps to leverage its own balance sheet. This would provide further financial firepower to support development outcomes, including on the eight global challenges. Together with further reductions in the equity to loan ratio, it would have a multiplier effect in unlocking more finance from the Bank's existing balance sheets, as well as increasing IBRD's annual transfer into IDA. And in agreeing a new capital increase package we could lock in new metrics to ensure we deliver on the evolution reforms. We look forward to seeing the progress the Bank has made on reform by the next Spring Meetings and to discussions about the impact a better and bigger Bank will have.

A fairer system also means ensuring that the IMF can deliver for Low-Income Countries. We strongly support an increase in the access limits of the IMF's Poverty Reduction and Growth Trust (PRGT) to align with the General Resource Account. The UK 's SDR 1.5bn loan ($2bn) to the PRGT is expected to generate at least SDR 250m ($330m) in implicit subsidy resources according to IMF staff, which will help shore up upcoming and future lending to LICs. We hope that other countries with the means and capacity will play their part in meeting the PRGT financing need. We also look forward to IMF proposals on how they will deploy more of their own resources to support its most vulnerable members.

We also want to see the Fund and Bank working together to prioritise the tackling of growing global debt vulnerabilities and increase debt transparency, including through providing capacity development for borrowers whilst supporting efforts to step up the implementation of the Common Framework.

We will never deliver a better, bigger and fairer international financial system unless we have institutions that properly reflect and respect all their members. That is why the UK is also calling on the Bank and shareholders to set out options for increasing the voice and representation of Low-Income Countries and Small Island Developing States, including options for strengthening their voting power. It is why the IMF must also continue to evolve and reflect its diverse membership; therefore the UK adds its support to the addition of a 25th chair to represent Sub-Saharan Africa.

It is now vital that we agree a clear path on how we will take this forward beyond Marrakech. We look forward now to a concerted effort to deliver these reform priorities at the same time as we work towards increasing financing and ambition. The UK urges Governors to rally around this vision for a better, bigger and fairer WBG – time is of the essence.